

## REMARKS

These Remarks are in response to the Office Action mailed April 20, 2004. Claims 1-23 are now pending in this application. Claims 9-11 and 20 have been amended, and claims 24-50 have been added. Support for those amendments and added claims can be found throughout the original specification, claims, and drawings, particularly at pages 5-9 and the corresponding drawings.

### Drawings

FIG. 1 has been amended to include the phrase “(PRIOR ART)”, as suggested in the Office Action.

### Claim Rejections

Claims 1-6 stand rejected under 35 U.S.C. § 112, second paragraph, as being indefinite. These rejections are respectfully traversed.

Regarding claim 1, the Office Action states that “it is unclear what is meant by ‘system.’” Applicants respectfully submit that the term “system” is neither unclear nor indefinite. “System” is a standard term used in patent claims. Indeed, a search of the USPTO patent database for patents having the phrase “a system for” in their claims uncovered over 52,000 patents. By “system,” Applicants mean “system,” as that term is generally understood. Applicants further respectfully submit that it is well-known that “system” does not mean “method.”

Regarding the statement in the Office Action that the “means for generating Security Receipts” limitation of claim 1 is indefinite, Applicants respectfully refer the Patent Office to 35 U.S.C. § 112, sixth paragraph. That is, the claimed “means” must be “construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.”

Regarding the statement in the Office Action that the term “Trustee” is indefinite, Applicants respectfully refer the Patent Office to Applicants’ usage of that term in the specification (specifically at page 6, line 29; page 7, lines 1 and 9; page 8, line 31; and page 9, lines 30 and 40). It is apparent from page 6, line 29, for example, that a Trustee controls a Trust.

Regarding the apparent assertion in the Office Action that having a claim limitation comprising a “computer system” somehow makes claim 1 indefinite, Applicants respectfully

request clarification. The claimed system comprises a computer system. Applicants fail to see why that is problematic, and respectfully request the Patent Office to provide statutory or regulatory support for its assertion of impropriety.

Applicants respectfully disagree with the assertion in the Office Action that claim 1 is directed to a “legal instrument.” The claim preamble clearly states that claim 1 is directed to a system. The body of the claim comprises: (a) a Trustee; (b) a computer system; (c) means for generating Security Receipts; and (d) means for accepting a deposit or canceling a Security receipt. Neither (a), (b), (c) or (d) is a “legal instrument.”

Claims 9-11 and 20-23 stand rejected under 35 U.S.C. § 112, second paragraph, as indefinite. These rejections are respectfully traversed.

The Office Action asserts (regarding claim 9, for example) that “it is unclear from the claim language whether a combination, or some type of apparatus is being claimed.” The Office Action further asserts: “The preamble states a combination is being claimed, however the body of the claim appears to be directed more to the security vehicle alone.” Although Applicants respectfully disagree with the assertion that claims 9 and 20 are or were indefinite, those claims have been amended to, *inter alia*, remove the “In combination” language to which the Patent Office appears to be objecting. Consequently, this rejection is believed to be successfully overcome.

Claims 7 and 12 stand rejected under 35 U.S.C. § 101 as directed to non-patentable subject matter. The Office Action asserts that claim 7, for example, lacks “any recitation of technology in the body of the claims.” This rejection is respectfully traversed.

The Office Action relies on the unpublished decision *Ex parte Bowman* to support the section 101 rejection of claims 7 and 12. This reliance is misplaced for at least four reasons. First, that decision was unpublished. That is, the decision “was not written for publication, and is not binding precedent of the [B]oard.” *Bowman*, 61 U.S.P.Q.2d at 1670. In other words, the Board itself was not willing to be bound by the decision and did not want anyone else to be bound by the decision. Applicants respectfully submit that they are not bound by the decision.

Second, the Office Action misstates the holding of *Bowman*. The Board did not say that “claims lacking any technology are ‘nothing more than [an] abstract idea which is not tied to any technological art and is not a useful art as contemplated by the Constitution.’” The Board stated: “In summary, we find that the invention before us is nothing more than an

abstract idea which is not tied to any technological art, environment, or machine, and is not a useful art as contemplated by the Constitution of the United States.” Thus, the Board was making a specific statement about Bowman’s invention – not a general statement about claims.

Third, the Office Action asserts that it relies on the “content and reasoning” of *Bowman*, despite the fact that the decision is not precedential. But this reliance ignores the fact that the decision was not published and not considered worthy of precedential status. If the Board thought reliance on the content and reasoning of *Bowman* was proper, it would have published the decision. And if the PTO could properly rely on the content and reasoning of unpublished decisions, then designating decisions as “not to be published” would be meaningless – it would have no practical effect. Obviously that is not what the Board intended.

Fourth, and perhaps most important, although the Board affirmed claim rejections on the ground that the claimed invention was not tied to any “technological art, environment, or machine,” *Bowman* provides no guidance as to what constitutes a “technological art.” Thus, even if the decision were precedential, it could not properly be used against the subject claims, because it provides no guidelines whatsoever that could be used to determine whether the claimed invention falls “within the definition of technological arts.”

Likewise, the Office Action simply states that claim 7, for example, lacks “any recitation of technology,” but neither provides a definition nor cites a reference for a definition of “technology” in the context of section 101. Because the section 101 rejection of claims 7 and 12 is, as explained above, not properly supported (since (a) reliance on *Bowman*, in any manner, is improper; and (b) no support for the statement that the claims lack a “recitation of technology” is provided), that rejection is improper and should be withdrawn (at least until the Patent Office can provide proper support therefor, which should include a practical definition of either “technology” or “technological art”, so that Applicants can ascertain whether the rejection is reasonable or arbitrary).

Claims 9-11 are rejected under 35 U.S.C. § 101 on the ground that they “appear to be for a security vehicle only” and that since there allegedly “is no clear statutory classification” for a security vehicle, the claims are not directed to patentable subject matter. Applicants respectfully traverse this rejection. The proper test for patentable subject matter is not whether the claimed subject matter is easily classified. On the contrary, as the United States

Supreme Court has held, patentable subject matter includes “anything under the sun that is made by man.” *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980). Since a security vehicle is clearly made by man, it is potentially patentable subject matter. If the Patent Office wishes to argue that a security vehicle is either a law of nature, a natural phenomenon, or an abstract idea, such an argument at least would be of the proper form. But rejecting claims because they aren’t easily classified is improper on its face. In any event, claims 9-11 are now method claims, so the above-discussed ground for rejection is now believed to be moot.

The Office Action further objects to the “means-plus-function” language as being directed to “legal elements” (which are asserted to be “abstract ideas”). Since claim 9 now is a method claim and does not use means-plus-function language, this ground for rejection is believed to have been overcome.

The Patent Office is respectfully reminded that a claim must be considered as a whole, and that the mere inclusion of a mathematical formula, for example, in a claim does not prevent that claim from satisfying the requirements of section 101. See, for example, *Diamond v. Diehr*, 450 U.S. at 192. In other words, the proper inquiry is whether the claim as a whole is directed merely to an abstract idea – not whether individual limitations of the claim relate to abstract ideas.

Claims 7-11 stand rejected under 35 U.S.C. § 102(b) as anticipated by the Telebras HOLDERS binder. This rejection is respectfully traversed.

Claim 7 is directed to a method for creating a tradable Security Receipt. The term “Security Receipt” is capitalized in the specification and in claim 7. This indicates that the term “Security Receipt” is not to be understood in claim 7, for example, in some generic way, but instead is intended to be a defined term, understood according to the meaning given to it in the specification (see page 5). The Office Action appears to have overlooked this limitation of claim 7.

Further, claim 7 is limited to Security Receipts that evidence beneficial ownership in “pre-existing securities.” Telebras HOLDERS (“HOLDERS”) does not teach, *inter alia*, Security Receipts evidencing beneficial ownership in *pre-existing* securities. The securities mentioned in HOLDERS were not pre-existing – they were created *after* the HOLDERS Depositary Receipts. Initially, the HOLDERS Depositary Receipts only represented shares in the single, original Telebras company. Then, when Telebras was to be split into 12 different holding companies, the HOLDERS Depositary Receipts would provide owners with corresponding

ownership in all 12 of those companies. Clearly the HOLDRs Depositary Receipts were a very special and very limited instrument designed to deal with a relatively simple situation, and were not designed to deal, for example, with a situation where pre-existing underlying securities represent beneficial ownership in a number of unrelated companies. Thus, the Office Action has apparently overlooked another limitation of claim 7.

Moreover, claim 7 has, to some extent, an inherent order of steps – an order that HOLDRs cannot teach. For example, claim 7 requires exchanging a bundle of securities for one or more Security Receipts. But HOLDRs discloses only Depositary Receipts issued *before* the underlying “bundle” of securities exists. Thus, HOLDRs does not teach exchanging a bundle for the HOLDRs Depositary Receipts, since the bundle did not exist until after the Depositary Receipts were created. HOLDRs only teaches exchanging *one* security (stock in the original Telebras company) for a Depositary Receipt. Thus, for at least this additional reason, claim 7 cannot read on HOLDRs.

Finally, it is respectfully noted that owners of Telebras HOLDRs did not receive voting rights (see page 8, fourth paragraph).

In light of the above differences between the rejected claims and HOLDRs, the 102(b) rejection of claims 7-11 is believed successfully overcome.

Claims 1-4, 6, 7, 12, 13, and 20-23 stand rejected under 35 U.S.C. § 102(e) as anticipated by U.S. Patent No. 5,987,435, to Weiss et al. (“Weiss”). These rejections are respectfully traversed.

Before addressing Weiss, Applicants wish to again highlight some aspects of the claims that the Patent Office seems to be overlooking. First is the fact that, as discussed above, the term “Security Receipt” is capitalized. This indicates that the term “Security Receipt” is not to be understood in some generic way, but instead is intended to be a defined term, understood according to the meaning given to it in the specification (see page 5).

Second, the term “beneficial” also has a specific and important meaning. As is made clear in the specification, prior art attempts at permitting investors to invest in a “basket” of securities all shared one important deficiency: they failed to provide certain rights (including, for example, voting rights) that typically accompany ownership of an ordinary security. These rights and subsets thereof are described in the specification as related to “beneficial” ownership (see, for example, page 5, line 17).

As discussed in Applicants' February 2003 Amendment and Response, the proxy assets of Weiss do not provide a beneficial interest. The proxy assets are entirely based on cash accounts and use valuation. The present Office Action (at page 8) asserts that Weiss discloses means for generating Security Receipts having a beneficial interest at column 6, lines 1-2. But those lines contain only one sentence: "Asset shares or issuing or redeeming Proxy Asset shares in Complete Sets, here defined, as needed." That sentence says nothing about a Security Receipt (as that term is defined in the subject specification) or a beneficial interest.

Weiss thus fails to disclose the limitation of "means for generating Security Receipts having [a] beneficial interest" that appears in claims 1-6. Likewise, Weiss fails to disclose the limitation of a "Security Receipt [being] an investment instrument evidencing beneficial ownership" of claim 7. The 102(e) rejection of claims 1-4 and 6-7 is thus not supported and should be withdrawn.

Similarly, the Office Action asserts that Weiss discloses the claim 12 limitation of "passing through to [a] holder of [a] tradeable security vehicle dividend and ownership participation" at column 4, lines 21-26. But that assertion is not correct. The cited lines from Weiss read in their entirety:

It is another object of the present invention to provide a data processing system that operates to define dividends on the Proxy Assets to their holders in accordance with stored programmed criteria that characterize the Proxy Asset's market price so that it will approximate the price of the intended underlying asset.

The above lines don't say anything about passing through ownership participation. Again the Office Action appears to have overlooked a clear limitation of Applicants' claims. The 102(e) rejection of claims 12-13 is thus not properly supported and should be withdrawn.

Regarding the rejection of claims 20-23, the Office Action has overlooked the fact that the limitation "Security Receipts" is a defined term (see the discussion above). To properly assert that a reference discloses a Security Receipt, the Patent Office must describe where each Security Receipt feature (as described on page 5 of the subject specification) is disclosed in that reference. For example, a Security Receipt provides, where applicable, common stock voting rights and the right to receive dividends, (see page 5, lines 17-19 of the subject specification). Thus, in order to disclose Security Receipts, a reference would have to

disclose, *inter alia*, an investment vehicle that provides such rights. Weiss is not such a reference, so the 102(e) rejection of claims 20-23 over Weiss should be withdrawn.

Claims 1-6 and 12-19 stand rejected under 103(a) as unpatentable over the Telebras HOLDERS binder. Applicants respectfully traverse this rejection.

The arguments made above regarding claim 7 are incorporated herein by reference in their entirety to traverse the rejection of claims 1-6 and 12-19. As discussed above regarding claim 7, for example, HOLDERS does not disclose several limitations of rejected claims 1-6 and 12-19. Claim 1, like claim 7, requires Security Receipts (capitalized). Claim 1 requires *pre-existing* securities – a limitation demonstrated above to be absent from HOLDERS. And claim 1 requires beneficial ownership. Since the 103 rejection of claims 1-6 and 12-19 relies on the erroneous assertion that all of the above limitations are taught by HOLDERS, that rejection should be withdrawn.

Additionally, Official Notice has been taken regarding computer implementation of the claimed system, and the Office Action asserts that computer implementation “would have been obvious to one of ordinary skill in the art at the time of the invention . . . so as to make the entire process accessible, easy, current and manageable.” See page 11 of the Office Action.

Pursuant to MPEP § 2144.03, Applicants respectfully traverse the above-referenced taking of Official Notice, even though the Office Action does not make clear what alleged facts are being Officially Noticed: is it merely the assertion that securities management systems are electronically available and used, or does it also include the assertion that one skilled in the art would have found making such systems “electronically available” obvious? Applicants respectfully request clarification of what is Officially Noticed. But to avoid the potential consequences of lack of traversal, Applicants traverse whatever is being Officially Noticed. Further pursuant to MPEP § 2144.03, Applicants respectfully request the Patent Office to provide documentary evidence of the alleged facts being Officially Noticed.

Also, Applicants respectfully request clarification of the statement that “securities management systems are electronically available.” “Electronically available” is not a limitation of claim 1, and Applicants do not understand that phrase.

Moreover, Applicants respectfully submit that merely asserting that a claim limitation admitted to be absent from a cited reference would be “obvious” does not support a *prima facie* 103 rejection. See MPEP § 2143:

First, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings. Second, there must be a reasonable expectation of success. Finally, the prior art reference (or references when combined) must teach or suggest all the claim limitations. The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art, not in applicant's disclosure.

Thus, a mere assertion that one skilled in the art would find a missing limitation "obvious" is not sufficient to support an obviousness rejection. The question is not whether a particular limitation is obvious, but rather whether the claimed invention as a whole is obvious. And to demonstrate that, the Patent Office must satisfy MPEP § 2143.


Moreover, asserting that the claimed computer system limitation would make a process "accessible, easy, current and manageable" is not sufficient to establish a motivation in the prior art. That assertion is so vague that it amounts to little more than an assertion that the claimed feature would be desirable. Desirability does not render an invention obvious. A pill that cures cancer would be desirable. Cold fusion would be desirable. That doesn't make them obvious. In any event, no citation is made in the Office Action to prior art that allegedly suggests the asserted advantage.

Applicants believe that all claim rejections have been successfully overcome by this response. Applicants respectfully submit that all pending claims are in condition for allowance and request the Patent Office to pass the subject application to issue.

No fee is believed due with this response. However, if any fee is due, please charge that fee to Deposit Account No. 50-0310.

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Respectfully submitted,



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